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EUROPE

Germany Sets Gender Quota in Boardrooms

By ALISON SMALE and CLAIRE CAIN MILLER MARCH 6, 2015

BERLIN — Germany on Friday became the latest and most significant country so far to commit to improving the representation of women on corporate boards, passing a law that requires some of Europe's biggest companies to give 30 percent of supervisory seats to women beginning next year.

Fewer than 20 percent of the seats on corporate boards in Germany are held by women, while some of the biggest multinational companies in the world are based here, including Volkswagen, BMW and Daimler — the maker of Mercedes-Benz vehicles — as well as Siemens, Deutsche Bank, BASF, Bayer and Merck.

Supporters said the measure has the potential to substantially alter the landscape of corporate governance here and to have repercussions far beyond Germany's borders.

In passing the law, Germany joined a trend in Europe to accomplish what has not happened organically, or through general pressure: to legislate a much greater role for women in boardrooms.

The law was passed after an unusually passionate debate, and much talk of milestones, cracking glass ceilings and making history. Chancellor Angela Merkel, in her 10th year in power, was on hand as deputies in her governing grand coalition of center right and center left stood to register their votes in favor of the law, which passed by a simple clear majority. The small opposition of Greens and leftist deputies abstained, believing the measure did not go far enough.

"You have to be sparing with the word 'historic,' " said Justice Minister Heiko Maas, who with a Social Democrat colleague, Family Minister Manuela Schwesig, spent months steering the law over legal and political hurdles. "But I think today we can apply it." For Germans, he called the law "the greatest contribution to

gender equality since women got the vote" in Germany in 1918.

With women still lagging globally in corporate offices, on governing boards and in pay, and many still struggling with family-work policies, pressure has been growing for legislative solutions.

Norway was the first in Europe to legislate boardroom quotas, joined by Spain, France and Iceland, which all set their minimums at 40 percent. Italy has a quota of one-third, Belgium of 30 percent and the Netherlands a 30 percent nonbinding target.

Britain has not legislated boardroom quotas, but a voluntary effort, known as the 30% Club, has helped to substantially increase women's representation. The group, founded by Helena Morrissey, a money manager, has used persuasion to help double the percentage of women on the boards of major British companies since 2010, to 23 percent.

The United States has also seen women's representation grow slightly, up to 17 percent of board seats, without legislative mandates, though its growth has been extremely slow.

The notion of government quotas for company boards has met widespread resistance in the United States. Instead, advocates have been going about it in other ways. Last year, two dozen major American companies opened a branch of the 30% Club in the United States to press businesses toward the 30 percent goal. In Silicon Valley, companies like Twitter have added a female director after criticism of their all-male boards.

Yet many American companies stop after appointing a woman or two to the board without pushing toward a particular percentage, said Ilene H. Lang, a senior adviser at Catalyst, a nonprofit research firm on women in business. Other advocates, led by Sheryl Sandberg, the Facebook executive and author of "Lean In," are focusing less on boards of directors and more on promoting women and adopting family-friendly policies companywide.

The European Union has considered measures to mandate that up to 40 percent of corporate supervisory boards be made up of women. While they were not passed, the debate brought further attention to boardroom equity.

"I cannot reiterate enough how difficult it is for women to push this issue,"

said Avivah Wittenberg-Cox, a London-based expert on building gender equality in business. Ideally, she said, such a remedy is endorsed by men; in Norway it was a male conservative minister who first pushed quotas in 2008, she said.

Friday’s vote in Germany means that “Europe is really going pretty wholeheartedly along the quota line,” she said.

The measure faced strong resistance from conservatives and from others who argued against imposing a law, despite the failure of a voluntary system that was adopted — under duress — by German businesses in 2001.

Ms. Schwesig, a Social Democrat, had to fight hard. At one point, a Christian Democrat leader admonished her to stop being “so whiny,” prompting Ms. Merkel, a fellow Christian Democrat, to step in.

A study last year from economists in the United States and Norway found that the legislative mandates in some European nations led to more women on corporate boards. But they did not do much to usher more women into executive ranks, decrease the gender pay gap or increase family-friendly policies. These are goals that many advocates consider a truer guide as to whether women are advancing.

With Friday’s law, said Adriana Lleras-Muney, an economist at the University of California, Los Angeles, and an author of the study: “I would predict that in the short run, we’re not going to see any drastic changes in firms. But maybe over the long run, it gives examples and mentors to a new generation, and maybe that will be what will slowly change perceptions.”

Under the new law, some 100 of Germany’s best-known companies must give 30 percent of their supervisory board seats to women starting next year. A further 3,500 companies have a deadline of Sept. 30 to submit plans to increase the share of women in top positions.

It is a potential game-changer in the country, where the biggest companies and their boards are largely male-only preserves. Top echelons of public service are also dominated by men.

A study by the German Institute for Economic Research found that last year women were 18.6 percent of supervisory board members — or directors — at the 100 biggest German companies. In the top 30 companies listed in the DAX index

in Frankfurt, women were almost 25 percent of the directors. Less than 200 women in this country of 82 million will thus be immediately affected by the new measure, said a leader of the Green Party, Katrin Göring-Eckardt.

The female membership of boards varies greatly. Deutsche Telekom, Europe's largest telecommunications company, already has 40 percent women on its group supervisory board, said a spokesman, Peter Kespohl. He said women's advancement had been a corporate goal since 2010.

By contrast, Fresenius, a global health care company with headquarters near Frankfurt, has no women on its supervisory or management boards. Ms. Schwesig singled that company out for criticism in recent months, noting that it employs 54,000 people in Germany alone, two-thirds of them women. Worldwide, Fresenius employs 210,000 people, according to its website.

The Federation of German Industries on its website dismissed the quota measure as "purely symbolic politics" and said it was especially troublesome because it did not impose the same quota for public service. "Beyond that," the federation said, "it doesn't make sense to force midlevel companies with one or two leaders to have quota goals."

Ms. Schwesig called the law a "historic milestone" and encouraged all Germans to mark its passage on Sunday, when International Women's Day will be celebrated under the slogan, "Make it happen!"

Ms. Göring-Eckardt, the Greens leader, lamented that the quota was not 40 percent, as her party had wanted, but echoed other women in pronouncing the glass ceiling cracked.

Alison Smale reported from Berlin, and Claire Cain Miller from San Francisco.

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